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A Millionaire Tax is Necessary to Advance Critical Education Investments in Massachusetts

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Key Takeaways

- The millionaire tax ballot initiative known as the Fair Share Amendment (FSA) can play a vital role in meeting the state's commitments to fund education from early care through higher education.
- Fulfilling state-level commitments and plans to invest in K-12 schools, making early education and care excellent and accessible, and supporting higher education students and campuses to their potential all require long-term revenues, such as those from the FSA.

This November, voters will decide on a millionaire tax ballot initiative known as the "Fair Share Amendment" (FSA) that would provide roughly $1 to $2 billion of additional state dollars each year for education and transportation. The new investment would be funded by a 4 percent additional state tax on the portion of tax filers' annual income over $1,000,000.

This ballot question comes at a crossroads for education funding in our state. Massachusetts benefited from one-time federal funds for education during the COVID pandemic, including for early care centers, K-12 schools and higher education campuses.

This temporary support has been crucial in providing immediate aid and making some strategic investments that might be sustained in the future. However, temporary funds are insufficient to meet long-term needs across the state or make the investments in education that FSA could make possible. The state has made numerous commitments and plans, such as a 7-year phase-in of improved K-12 education funding particularly in low-income communities and proposals on funding for early care education from a new special commission. In nearly all areas of education, our state has yet to identify ongoing revenue sources to meet our obligations. However, there is strong public support for maintaining and improving equitable education in ways that would be supported by the revenue from a millionaire tax such as FSA.

A Millionaire Tax Can Support Education at All Levels

Federal pandemic relief has helped avert education cuts and added significant funds to expand services during the pandemic, particularly in K-12 schools. But it is insufficient and too short-term to meet the Commonwealth's existing promises to improve education, much less to make bold new investments in early education, K-12 schools, or on higher education campuses.

Early Care & Education – Affordable, High-Quality Care for All Depends on Revenue

Early care and education (ECE) received significant relief funds in recent years. Nevertheless, ECE providers across Massachusetts remain in a precarious situation due to the disruptions of the pandemic and the resulting difficulties to keep classrooms open, particularly providing ample salaries and benefits to retain ECE teachers. The COVID crisis highlighted the harms to our economy that result from families lacking reliable and affordable child care.

The emergency measures in place during COVID have been largely supported by temporary revenue that will expire in the coming years. This potentially sets up a drop in funding that could destabilize this already under-resourced area of our state budget and economy. However, there are also several exciting efforts underway to enhance the long-term support for ECE funding that could be supercharged by FSA. In March 2022, a special legislative commission on ECE financing released a report on the way forward for ECE funding. Additionally, many stakeholders and advocacy groups are working through the Common Start Coalition to advance legislation to achieve universal, affordable, high-quality ECE across our state.

Looking at the short-term, the 2022 special commission on ECE finance found that, while more planning and research is needed, \$595-\$712 million per year is needed immediately and an additional \$360-\$860 million is necessary in the short-term to:

- Ensure the stability of the ECE field through and beyond the COVID crisis,
- Serve more families while maintaining affordability,
- Improve ECE workforce compensation and advancement, and
- Fund ECE system infrastructure and local partnerships

For the next couple of years, it will likely be possible to advance these proposals using the remaining federal relief dollars or surplus state funds. However, ongoing revenue such as that from FSA is necessary for ECE funding advancements to be sustainable every year moving forward. Ensuring the stability of ECE providers, expanding access and affordability for families, offering appropriate wages, benefits, and career advancement for ECE teachers, and investing in our state ECE infrastructure all depend on reliable solutions and funding.

As far as the long-term view, in 2021 MassBudget found that a complete, universal, high quality, and affordable system for early education and care for all kids under 5 in Massachusetts would require public investments of around \$23,000 per child annually, over 1.5 times the funding of key programs today. That level of investment statewide would be roughly 3 times larger than the immediate and short-term recommendations of the special legislative commission on ECE finance. This would require several years of escalating investments over the next decade.

In a similar direction as the legislative commission recommends, this larger level of ECE investment would vastly increase the number of families receiving assistance in paying for ECE, limit fees so ECE is affordable for all and free for low-income families, and pay providers enough to dramatically improve wages, benefits, classroom space, training, and other elements of quality early care.

The Commonwealth clearly needs a multi-year ECE investment plan to achieve these goals, including new state and potentially federal dollars. Because it is uncertain whether Congress will provide significant new funding for early care and education beyond the relief provided during the pandemic, ongoing state revenue from FSA could become even more important.

K-12 Schools – Keeping the Promise of Investments and Equity Requires Revenue

Massachusetts enacted a seven-year funding plan in 2019 to improve education equity and quality, called the Student Opportunity Act (SOA). This state law did not identify a specific ongoing source of revenue to pay for the plan. This means that revenue from FSA will be an important part of keeping the SOA on track.

Temporary federal pandemic relief in K-12 education has been significant, especially the estimated $2.24 billion that was included in the most recent American Rescue Plan. However, in a couple of years when these funds run out, Massachusetts will still need to pay for funding increases under the SOA. This will be particularly critical to ensure funding equity for low-income school districts and students of color. The SOA creates growing commitments to fund state aid for school districts for another five years, and then must keep funding at this higher level permanently going forward.

Reliable state resources will necessarily be part of meeting that promise. Back in 2019, the new costs of the SOA was estimated at $1.5 billion after seven years. While the exact numbers will shift, that is a reasonable estimate of the needed funding to sustain each year going forward long after temporary federal pandemic relief expires.

Higher Education – Eliminating Fees and Debt While Investing in World-Class Public Campuses Requires Revenue

Massachusetts' excellent higher education institutions are a key part of what makes Massachusetts a good place to live and supports our well-educated workforce and economy. Even so, the Commonwealth has ground to make up in supporting the University of Massachusetts (UMass), state universities, and community colleges to reach their full potential to be affordable and excellent parts of this system.

State support for public higher education has faltered in recent years, leading campuses to make up for that funding by increasing tuition and student fees which has in turn led to more students being forced to take on debt. This overall situation meant public higher education in Massachusetts was more vulnerable to the upheavals of the COVID pandemic. Federal higher education relief, about $1.6 billion over the course of the pandemic, has played an important role both in supporting students and keeping state colleges and universities afloat. This relief addressed COVID-era harms such as decreased enrollment, disruption to other funding streams like housing and dining that depend on in-person life on campuses, and some staff layoffs.

With additional ongoing revenue from FSA, Massachusetts could move towards world-class state colleges and universities, well-supported staff and faculty, and affordable opportunities for students to learn without taking on massive debt. The Commonwealth has not yet agreed on a long-term plan to address years of underfunding in higher education, rising tuition and fees that drive student debt, or the unrealized potential for the community college system. However, there are promising efforts with legislators and advocacy groups supporting the Debt-Free Future Act, a bill that would move the state towards greater higher education investment.

MassBudget research found that similar bold plans making all of public higher education free of tuition and fees while potentially also covering common living expenses to reduce the need for students to take on debt would cost between $66 million and $320 million in escalating investments over seven years. This presumes our state would follow a similar seven-year timeframe to the SOA plan in K-12 education.

This range reflects different ways that students at different campuses (UMass, state universities, and community colleges) could be included, as well as whether living expenses to attend college are considered in addition to tuition and fees. Beyond these student-focused approaches, the state would need to invest an additional roughly $100 million annually in higher education campuses to reverse funding cuts since 2001.